

Message Text

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PAGE 01 LONDON 02126 01 OF 02 151901Z

71

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 INT-08

FEA-02 NEA-11 DRC-01 /202 W
----- 053704

R 151837Z FEB 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8030

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 02126

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING FEBRUARY 15

BEGIN SUMMARY: THE POUND MOVED STEADILY UPWARD AGAINST THE
DOLLAR AND MAJOR EUROPEAN CURRENCIES TO CLOSE ON THURSDAY

UNCLASSIFIED

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PAGE 02 LONDON 02126 01 OF 02 151901Z

(FEB 14) AT \$2.2742-1/2 AGAINST THE DOLLAR AND WITH A
TRADE-WEIGHTED DEVALUATION OF 18.1 PERCENT. GOLD CON-

TINUED TO MOVE UPWARD CLOSING AT \$146.50 ON THURSDAY (FEB 14), UP \$6.50 LAST THURSDAY'S CLOSE. WHOLESAL PRICES ROSE SHARPLY IN JANUARY AND WERE 12-3/4 PERCENT HIGHER THAN A YEAR AGO. RETAIL SALES SHOWED A MARKED DROP IN JANUARY SUGGESTING THAT TH* 3-DAY WEEK HAS MADE APPRECIABLE INROADS INTO CONSUMER SPENDING IN JANUARY. INDUSTRIAL PRODUCTION, HOWEVER, IS BEING MAINTAINED ON AVERAGE AT ABOUT 70 PERCENT OF NORMAL ACCORDING TO THE CONFEDERATION OF BRITISH INDUSTRY (CBI). END SUMMARY

1. THE POUND ROSE 272-1/2 POINTS THIS WEEK CLOSING AT \$2.2742-1/2 ON FEBRUARY 14, THIS WEEK'S HIGH. THE POUND ALSO STRENGTHENED CONSIDERABLY AGAPBXT OTHER MAJOR CURRENCIES WITH THE TRADE-WEIGHTED DEVALUATION NARROWING TO 18.1 PERCENT (FEB 14) COMPARED TO 19 PERCENT AT THE BEGINNING OF THE WEEK. GOLD CONTINUED ON ITS CLIMB UPWARDS AND REACHED \$149 AT THE FRIDAY MORNING FIXING.

2. THE OFFICIAL INDEX FOR WHOLESAL PRICES (I.E. OUTPUT PRICES OF DOMESTIC SALES, 1970100, N.S.A.) ROSE TO 134.2 IN JANUARY, COMPARED TO 130.7 IN DECEMBER. THIS WAS A MONTHLY INCREASE OF 2-3/4 PERCENT. THERE WAS ALSO A HUGE INCREASE IN PRICES QUOTED FOR INDUSTRIAL MATERIALS WHICH ROSE 17 PERCENT IN JANUARY AND WERE 65 PERCENT UP ON A YEAR EARLIER. ABOUT THREE-QUARTERS OF THE RISE IN BASIC MATERIALS PRICES WAS THE RESULT OF THE INCREASE IN CRUDE OIL PRICES.

3. THE VOLUME OF RETAIL SALES IN JANUARY WAS 110 (1971 100, S.A.). WHILE THIS IS A PROVISIONAL ESTIMATE, IT SHOWS A FALL OF 2-1/2 PERCENT FROM THE DECEMBER LEVEL (112.9) TO ONE NOT VERY DIFFERENT FROM THAT OF JANUARY 1973. DESPITE THE FALL IN JANUARY, ON THE THREE MONTHLY COMPARISON, THE VOLUME OF SALES IN NOVEMBER-JANUARY WAS ABOUT 1 PERCENT HIGHER THAN IN THE PREVIOUS THREE MONTHS.

4. THE CBI, IN A SURVEY OF ABOUT 40 COMPANIES, FOUND THAT INDUSTRIAL PRODUCTION IS BEING MAINTAINED ON AVERAGE AT ABOUT 70 PERCENT OF NORMAL AND THERE ARE EVEN SIGNS OF A UNCLASSIFIED UNCLASSIFIED

PAGE 03 LONDON 02126 01 OF 02 151901Z

SLIGHT IMPROVEMENT. STEEL DELIVERIES REMAINED THE SINGLE MOST WORRYING CONSTRAINT ON PRODUCTION. DESPITE THE

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PAGE 01 LONDON 02126 02 OF 02 151905Z

44

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LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 INT-08

FEA-02 NEA-11 DRC-01 /202 W
----- 053863

R 151837Z FEB 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8031

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

IESFMQ/AMEMBASSY STOCKHOLM 1589

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION OECD PARIS

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UNCLAS SECTION 02 OF 02 LONDON 02126

RELATIVELY ENCOURAGING PICTURE PAINTED BY THE SURVEY, THE
CBI IS IN NO DOUBT THAT THE MINERS STRIKE IS STILL VERY
DAMAGING TO INDUSTRY AND THAT FEW COMPANIES ARE MAKING
PROFITS.

5. THE FORWARD DISCOUNTS ON STERLING NARROWED OVER THE

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PAGE 02 LONDON 02126 02 OF 02 151905Z

WEEK.

	2/7	2/14	CHANGE
1 MONTH	2.90	1.93-1/2	DOWN 0.96-1/2
3 MONTHS	6.65	5.52-1/2	DOWN 1.12-1/2
6 MONTHS	10.60	9.65	DOWN 0.95

(ALL FIGURES IN CENTS)

6. LOCAL AUTHORITY DEPOSIT RATES MOVED SLIGHTLY DOWNWARD AT 1 MONTH, REMAINED STABLE AT 3 MONTHS, AND DOWN AND THEN UP AGAIN AT 6 MONTHS.

	2/7	2/14	CHANGE
1 MONTH	15-1/16	14-3/4	DOWN 5/16
3 MONTHS	15-11/16	15-15/16	UP 1/4
6 MONTHS	15-7/8	15-3/4	DOWN 1/8

7. EURO-DOLLAR RATES REMAINED QUITE STABLE OVER THE WEEK.

	2/7	2/14	CHANGE
1 MONTH	8-5/16	8-3/8	UP 1/16
3 MONTHS	8-7/16	8-3/8	DOWN 1/16
6 MONTHS	8-7/16	8-1/4	DOWN 3/16

8. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 12.5 PERCENT ON FEBRUARY 15.

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Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

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TAGS: ECON, UK
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